

REGISTRATION NO. 25325 FILED

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SURFACE TRANSPORTATION BOARD

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ELIAS C. ALVORD (1942)
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OF COUNSEL
URBAN A. LESTER

December 8, 2004

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Security Agreement, dated as of December 8, 2004, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Secured Party: Bank of America, N.A.
231 South LaSalle Street
Chicago, Illinois 60697

Debtor: Austin & Northwestern Railroad Company
18 South Clinton Street, Suite 300
Chicago, Illinois 60661

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A description of the railroad equipment covered by the enclosed document
is:

2 locomotives: TNER 115 and DGNO 701.

A short summary of the document to appear in the index is:

Memorandum of Security Agreement.

Also enclosed is a check in the amount of \$32.00 payable to the order of
the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the
undersigned.

Very truly yours,



Robert W. Alvord

RWA/anm
Enclosures

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MEMORANDUM OF SECURITY AGREEMENT

This Memorandum of Security Agreement is made and entered into as of December 8, 2004, by and between BANK OF AMERICA, N.A., a national banking association (hereinafter referred to as the "**Bank**"), and AUSTIN & NORTHWESTERN RAILROAD COMPANY, INC., a Texas corporation (hereafter referred to as the "**Debtor**").

The Debtor has requested the Bank to make loans to the Debtor and the other Borrowers (as defined in the Loan Agreement hereinafter referred to), pursuant to that certain Loan Agreement, by and among the Bank, the Debtor and the other Borrowers, dated as of December 8, 2004 (the "**Loan Agreement**"), setting forth the terms and conditions of such loans;

As consideration for the loans which have been or will be made to the Debtor and the other Borrowers pursuant to the Loan Agreement, the Debtor has executed a Security Agreement with the Bank, dated as of December 8, 2004 (the "**Security Agreement**"), and granted to the Bank a security interest in, among other things, all of the following properties, assets and rights of the Debtor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "**Collateral**"):

(a) all of the locomotives described on Schedule 1 attached hereto, together with (i) any replacement substituted for any such locomotive, (ii) all parts of any such locomotive, (iii) all logs, manuals and data and inspection, modification and maintenance records maintained in respect of such locomotives, including, without limitation, all such logs, manuals, data and records required to be maintained by any applicable regulatory agency of body of any jurisdictions, and (iv) all property insurance policies relating to such locomotives; and

(b) all of the railcars described on Schedule 2 attached hereto, together with (i) any replacement substituted for any such railcar, (ii) all parts of any such railcar, (iii) all logs, manuals and data and inspection, modification and maintenance records maintained in respect of such railcars, including, without limitation, all such logs, manuals, data and records required to be maintained by any applicable regulatory agency of body of any jurisdictions, and (iv) all property insurance policies relating to such railcars.

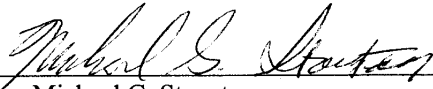
As contemplated by the Security Agreement, the Bank and the Debtor hereby make this Memorandum of Security Agreement to confirm and perfect the Bank's security interest in the Collateral. The Bank and Debtor further acknowledge and confirm that this Memorandum of Security Agreement is not a summary of the Security Agreement nor a complete recitation of the terms and provisions thereof. Accordingly, the Bank and the Debtor agree that in the event of a conflict between this Memorandum of Security Agreement and the provisions of the Security Agreement, the provisions of the Security Agreement shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due corporate authority, has caused this Memorandum of Security Agreement to be duly executed in its corporate name by its officers, thereunto duly authorized, all as of the date fast above written.

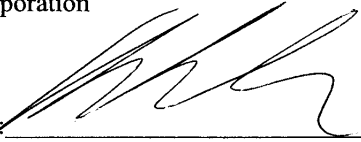
BANK:

BANK OF AMERICA, N.A.,
a national banking association

By: 
Name: Michael G. Staunton
Title: Senior Vice President

DEBTOR:

AUSTIN & NORTHWESTERN
RAILROAD COMPANY, INC., a Texas
corporation

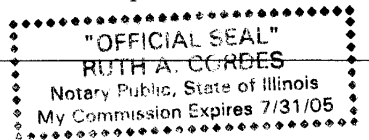
By: 
Name: Edwin Ellis
Title: President

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this 8th day of December, 2004, personally appeared Michael G. Staunton to me known personally, and who, being by me duly sworn, deposes and says that he is the Senior Vice President of Bank of America, N.A., and that said instrument was signed and sealed on behalf of said bank by authority of its Board of Directors, and said Senior Vice President acknowledged said instrument to be the free act and deed of said bank.

Ruth A Cordes
Notary Public

My Commission Expires:



STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this 8th day of December, 2004, personally appeared Edwin Ellis to me known personally, and who, being by me duly sworn, deposes and says that he is the President of Austin & Northwestern Railroad Company, Inc., and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said individual acknowledged said instrument to be the free act and deed of said corporation.

Ruth A. Cordes
Notary Public

My Commission Expires:



Schedule 1

LOCOMOTIVES

ANRC Locomotives

Mark	Number	Builder	Type	H.P.	Built	Serial #	Location	Owner
TNER	115	EMD	GP-7	1500	1951	14992	TNMR	TNMR
DGNO	701	EMD	GP-7u	1500	1952	16388	TNMR	TNMR

Schedule 2

RAILCARS

ANRC does not own Railcars.